

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. WRU-99-31-156
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ORDER DENYING WAIVERS AND GRANTING EXTENSION OF TIME

(Issued October 5, 1999)

IOWA ADMIN. CODE 199-33.5 (1999) provides that rate-regulated gas and electric utilities are to file cost allocation manuals on or before September 1 if revenues recorded in FERC accounts 415 and 417 exceed 3 percent of a utility's operating revenues as recorded in FERC account 400. On July 28, 1999, MidAmerican Energy Company (MidAmerican) filed a request for waiver of the requirement to file a cost allocation manual. In its petition, MidAmerican said it met the 3-percent filing threshold in 1998. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to the waiver request on August 5, 1999.

In support of its waiver request, MidAmerican said that the rules contained in IOWA ADMIN. CODE 199-chapter 33, including rule 33.5, were intended to prevent any ratepayer subsidization of a utility's nonutility business. MidAmerican pointed out that "nonutility service" is specifically defined in IOWA CODE § 476.72 as "[t]he sale, lease, or other conveyance of commercial and residential gas or electric appliances, interior lighting systems and fixtures, or heating, ventilating, or air

conditioning systems and component parts or the servicing, repair, or maintenance of such equipment." MidAmerican calculated that its revenue from nonutility services as defined in section 476.72 comprises 1.75 percent of the total FERC account 415/417 revenues and only 0.11 percent of MidAmerican's total operating revenues as recorded in FERC account 400. MidAmerican argued its nonutility revenues were de minimis and that a cost allocation manual should not be required. If a waiver is not granted, MidAmerican requested that it be allowed to file an alternative cost allocation procedure or manual with respect to nonutility gas marketing sales operations.

Consumer Advocate argued MidAmerican's waiver request ignored the purpose of the statute and rules. Consumer Advocate noted that IOWA CODE § 476.71 states the General Assembly's intent that a "public utility should not directly or indirectly include in regulated rates or charges any costs or expenses of an affiliate engaged in any business other than that of utility business." Because the filing threshold in the rules has been met, Consumer Advocate said MidAmerican should be required to file a complete cost allocation manual.

MidAmerican has clearly exceeded the 3 percent threshold provided for in rules 33.2 and 33.5. In its "Order Adopting Rules" issued November 10, 1993, in Docket No. RMU-93-7, the Board said in the preamble to the adopted rules:

The Board will adopt the 3 percent threshold because it takes into account the size of the utility. Also, 3 percent of a utility's operating revenues represents a significant portion of its business which justifies the filing of a manual and the use of significant regulatory resources in

evaluating the manual to ensure against subsidization of the nonutility business.

The Board will use the sum of FERC accounts 415 and 417 in determining whether the 3 percent filing threshold is met. While these accounts may include revenue which is not nonutility revenue as defined by Iowa Code section 476.72, these are readily verifiable accounts which include nonutility revenues as defined by Iowa Code section 476.72. . . Even though these FERC accounts may include some revenues which are not nonutility revenues as defined by Iowa Code section 476.72, those utilities which meet the threshold would have significant statutory nonutility revenues which justify the filing of a manual to ensure against cross-subsidization. . .

MidAmerican's 1998 reported nonutility revenues in FERC accounts 415/417 exceed \$100 million and equal over 6 percent of operating revenues as reported in FERC account 400. This amount is significant, and, consistent with the Board's reasoning when the rules were adopted, justifies the filing of a cost allocation manual to ensure against cross-subsidization. While gas marketing revenues make up the majority of these revenues, MidAmerican uses many of the same employees, equipment, services, and cost centers for carrying out these operations as it does in carrying out its regulated utility natural gas operations. A complete cost allocation manual will help prevent any potential for cross-subsidization. The alternative proposed by MidAmerican for natural gas sales operations does not provide sufficient information to guard against cross-subsidization. MidAmerican's requests for a complete or partial waiver of the cost allocation manual requirements will be denied.

In addition to the waiver requests, MidAmerican also asked for an additional 45 days to file any required manual. Consumer Advocate did not object to this request. The Board will grant MidAmerican 45 days from the date of this order to file its cost allocation manual.

IT IS THEREFORE ORDERED:

1. The requests for waiver filed by MidAmerican Energy Company on July 28, 1998, are denied.
2. MidAmerican shall file its cost allocation manual pursuant to IOWA ADMIN. CODE 199-chapter 33 on or before 45 days from the date of this order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 5th day of October, 1999.